

LOOK OUT FOR INCREASES IN U.S. INTEREST RATES !

Whenever a country spends more than it earns, it is an inflationary tendency.

The US is looking at a Budget Deficit for the Current Fiscal Year, ending September 30, 2004, of about \$US500 million, at least – and it could go much higher, considering the manner and frequency, with which President George W. Bush is spending the country's money.

It is an almost guarantee that the US Federal Reserve Board will, before this year is out, consider raising interest rates, off their present, 45-year lows.

It is only a matter of time, now.

President George W. Bush seems to be exploring new and uncharted, US economic waters; and, he is not known for his erudition in economics, either macroeconomics or microeconomics.

In fact, it is rather doubtful that the Texan knows the difference between macroeconomics and microeconomics, in any event.

The way in which he is spending the country's money must cause many a traditional economist to be more than a little perplexed as to the long-term effects of the President's fiscal policies.

Of course, President George W. Bush may, in the fullness of time, be considered somewhat of a pathfinder in respect of his new economic '*broom*' for the US economy, but history will be making that judgment.

The foreign-exchange rate of the US dollar against many other '*hard*' currencies has been falling, week after week, and members of the 15-nation European Union (EU) are smarting at the 30-percent, exchange-rate increase of the euro against the American greenback.

The Ministry of Finance of Japan has been hard-pressed, over the past few months, to try to stem the strength of the yen vis-à-vis the US dollar – with limited success, no matter how much money The Bank of Japan has been spending, standing in foreign-exchange markets, buying up US dollars.

Investment in the US by foreign-owned-and-based entities is dependant on one single factor: Is there money to be earned by making a fresh financial commitment in The Land of The Free and The Home of The Brave?

The relative stability of the exchange rates of the US dollar against the euro, the Japanese yen, the British pound, etc, is essential, as far as prospective foreign investors in the US are concerned, because, at some point in time, these investors will want to repatriate their investments, along with, hopefully, the profits, derived therefrom, and, if the exchange rate of the US dollar, vis-à-vis the currencies of these investors, goes against them, the value of the repatriated funds could well be dissipated, proportional to the US dollar's depreciated value against the foreign currencies.

And there appears to be no guarantee of ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.

 [Site Meter](#)